

**LAKEVIEW DOWNTOWN
DEVELOPMENT AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)**

Battle Creek, Michigan

BASIC FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 10, 2008

Board of Directors
Lakeview Downtown Development Authority
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Lakeview Downtown Development Authority, a component unit of the City of Battle Creek, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ***Lakeview Downtown Development Authority*** as of June 30, 2008, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets					
Pooled cash and investments	\$ 73,023	\$ 46,648	\$ 119,671	\$ -	\$ 119,671
Interest receivable	11,435	-	11,435	-	11,435
Total assets	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	-	131,106
Fund balance					
Unreserved, undesignated	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	(131,106)	-
Net assets					
Restricted for capital projects				46,648	46,648
Unrestricted deficit				84,458	84,458
Total net assets				<u>\$ 131,106</u>	<u>\$ 131,106</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues					
Property taxes	\$2,113,623	\$ -	\$ 2,113,623	\$ -	\$ 2,113,623
Interest	<u>97,447</u>	<u>-</u>	<u>97,447</u>	<u>-</u>	<u>97,447</u>
Total revenues	2,211,070	-	2,211,070	-	2,211,070
Expenditures/expenses					
Community development	<u>2,289,242</u>	<u>-</u>	<u>2,289,242</u>	<u>-</u>	<u>2,289,242</u>
Revenues over (under) expenditures	(78,172)	-	(78,172)	78,172	-
Change in net assets				(78,172)	(78,172)
Fund balances/net assets					
Beginning of year	<u>162,630</u>	<u>46,648</u>	<u>209,278</u>	<u>-</u>	<u>209,278</u>
End of year	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	<u>\$ -</u>	<u>\$ 131,106</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
Revenues			
Property taxes	\$ 2,157,211	\$ 2,113,623	\$ (43,588)
Interest	10,000	97,447	87,447
Total revenues	2,167,211	2,211,070	43,859
Expenditures			
Community development	2,192,211	2,289,242	97,031
Net change in fund balance	(25,000)	(78,172)	(53,172)
Fund balance, beginning of year	162,630	162,630	-
Fund balance, end of year	\$ 137,630	\$ 84,458	\$ (53,172)

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets					
Pooled cash and investments	\$ 73,023	\$ 46,648	\$ 119,671	\$ -	\$ 119,671
Interest receivable	11,435	-	11,435	-	11,435
Total assets	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	-	131,106
Fund balance					
Unreserved, undesignated	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	(131,106)	-
Net assets					
Restricted for capital projects				46,648	46,648
Unrestricted deficit				84,458	84,458
Total net assets				<u>\$ 131,106</u>	<u>\$ 131,106</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues					
Property taxes	\$2,113,623	\$ -	\$ 2,113,623	\$ -	\$ 2,113,623
Interest	<u>97,447</u>	<u>-</u>	<u>97,447</u>	<u>-</u>	<u>97,447</u>
Total revenues	2,211,070	-	2,211,070	-	2,211,070
Expenditures/expenses					
Community development	<u>2,289,242</u>	<u>-</u>	<u>2,289,242</u>	<u>-</u>	<u>2,289,242</u>
Revenues over (under) expenditures	(78,172)	-	(78,172)	78,172	-
Change in net assets				(78,172)	(78,172)
Fund balances/net assets					
Beginning of year	<u>162,630</u>	<u>46,648</u>	<u>209,278</u>	<u>-</u>	<u>209,278</u>
End of year	<u>\$ 84,458</u>	<u>\$ 46,648</u>	<u>\$ 131,106</u>	<u>\$ -</u>	<u>\$ 131,106</u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues			
Property taxes	\$ 2,157,211	\$ 2,113,623	\$ (43,588)
Interest	<u>10,000</u>	<u>97,447</u>	<u>87,447</u>
Total revenues	2,167,211	2,211,070	43,859
Expenditures			
Community development	<u>2,192,211</u>	<u>2,289,242</u>	<u>97,031</u>
Net change in fund balance	(25,000)	(78,172)	(53,172)
Fund balance, beginning of year	<u>162,630</u>	<u>162,630</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 137,630</u></u>	<u><u>\$ 84,458</u></u>	<u><u>\$ (53,172)</u></u>

The accompanying notes are an integral part of these financial statements.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Lakeview Downtown Development Authority (the “Authority”). The Authority was established October 27, 1981, pursuant to Public Act 197 of 1975. The primary purpose of the Authority is to revitalize and encourage economic activity in the Lakeview business district. The Authority’s activities are primarily funded through tax increment financing.

The Authority is a component unit of the City of Battle Creek, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations, and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following major governmental funds:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and amended by the City Commission during the year. No budget amendments were made during the year.

Expenditures for the year were in excess of budget by \$97,031.

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

2. POOLED CASH AND INVESTMENTS

At year-end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the City's internal cash management pool, was \$119,671. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City's basic financial statements.

3. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Battle Creek bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by the County of Calhoun. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Lakeview Downtown Development Authority district to the extent that the current taxable value exceeds the base year taxable value. The Lakeview Downtown Development Authority district was established in 1981 and then expanded in 1991. Taxable values for the 2007 levy are summarized below:

	(a) Total Taxable Value	(b) Base Year Value	(a)-(b) Captured Increment
Ad valorem property	\$ 98,200,838	\$ 7,287,197	\$ 90,913,641
IFT / CFT / Other property	-	1,405,920	(1,405,920)
Totals	\$ 98,200,838	\$ 8,693,117	\$ 89,507,721

IFT - Industrial Facility Tax

CFT - Commercial Facility Tax

LAKEVIEW DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

4. DEVELOPMENT PROJECTS AND COMMITMENTS

The Authority has entered into a Development Agreement with the City whereby the Authority reimburses the City for costs to construct certain public improvements. At June 30, 2008, the Authority has committed \$46,648 to existing projects. The funds not committed to existing projects would be available for new projects approved by the Authority.

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